

Educational Retirement Board

Internal Audit Charter

Mission

The mission of the internal audit function provides independent, objective assurance services designed to add value and improve practices of the Educational Retirement Board (ERB). It assists the ERB with accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Scope

The scope of work determines whether the risk management, control, and governance processes for ERB pension fund investments and the Integrated Retirement Information System (IRIS) are adequate and function as intended. It includes reviewing the:

1. Financial advisor trade and investment activity corresponding with existing contracts and related ERB investment policies.
 - Compliance with processes and procedures.
 - Safeguarding pension fund assets.
2. Data integrity, confidentiality, and availability of the information in IRIS.
 - Reliability of financial reporting of member, employer, and pension data.
 - Safeguarding assets within IRIS.

Professional Standards

The internal auditing staff shall adhere to The Institute of Internal Auditors' (IIA) "Code of Ethics. The IIA's "International Standards for the Professional Practice of Internal Auditing" shall serve as a benchmark for the internal audit function. Moreover, the internal auditing staff shall maintain the necessary knowledge, skills, experience, and professional certifications to meet the requisites of this charter.

Independence

The internal audit function shall remain free from the influence of any element in the organization, including audit selection, scope, audit programs, frequency, timing, or the audit report content. Moreover, the above shall render an independent and objective mental attitude to necessitate an audit opinion.

Organization

The Chief Audit Executive (CAE) shall report administratively to the Executive Director and functionally to the Audit Committee or audit committee chair as designated.

Authority

The internal audit function performs assurance services on behalf of the Board of the ERB. To meet the objectives of the audit scope, the internal audit function has the authority to:

1. Have unrestricted access to personnel, human resources records, financial records, and physical properties relevant to engagements.
2. Have full and free access to the audit committee.
3. Decide the nature, timing, frequency, and scopes of work for assurance engagements.
4. Apply the techniques required to achieve audit objectives.
5. Obtain necessary assistance from key personnel for related engagements.

The internal audit function (entity) shall not develop or install systems or procedures, prepare records, or participate in any other activity that the CAE would normally audit.

Audit Planning

The internal audit function shall submit a flexible audit plan to the Audit Committee using an appropriate risk based methodology. Prioritization of the audit work schedule shall be set forth based on an appropriate risk based methodology. Implementing the annual audit plan as approved shall include any special projects the Audit Committee requests. The audit planning shall consider the scope of work of independent public accountants, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable cost.

Reporting

The CAE shall prepare and issue an audit report at the conclusion of each audit. The audit reports will be distributed to appropriate management. A copy of each audit report and/or a summarization will be forwarded to the Audit Committee.


The CAE may incorporate the audit client's response and corrective action taken or to be taken related to specific findings and recommendations. Management's response should include a timetable and corrective action plan to clear exceptions and an explanation for any recommendations not addressed.

In the event that the audit report excludes responses, management should respond in writing within 30 calendar days from the issuance of the audit report. The responses shall be delivered to the internal audit function and those on the original distribution list.


The internal audit function shall be responsible for the follow up of any audit findings and recommendations. All material issues shall remain as open items until the CAE or the Audit Committee deems that management has cleared the material findings.

Annual Internal Audit Charter Assessment and Work Plan

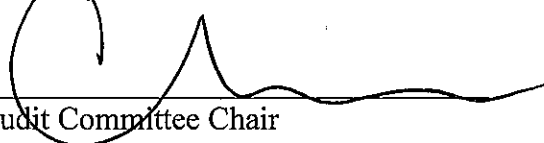
The CAE should annually assess the internal audit charter (charter) and work plan. The CAE should communicate the adequateness of the charter and work plan to the Audit Committee in May of each fiscal year. Moreover, the assessment should address whether the charter and work plan continue to enable the internal audit function to accomplish its objectives.



Chief Audit Executive



Executive Director



Audit Committee Chair

Dated 7/13/2009_____